United Nations A/C.2/66/L.9

General Assembly

Distr.: Limited
17 October 2011

Original: English

Sixty-sixth session
Second Committee
Agenda item 17 (c)
Macroeconomic policy questions: external debt sustainability and development

Argentina:* draft resolution

External debt sustainability and development

The General Assembly,

Recalling its resolutions 58/203 of 23 December 2003, 59/223 of 22 December 2004, 60/187 of 22 December 2005, 61/188 of 20 December 2006, 62/186 of 19 December 2007, 63/206 of 19 December 2008, 64/191 of 21 December 2009 and 65/144 of 20 December 2010,

Recalling also the United Nations Millennium Declaration, adopted on 8 September 2000,[1]

Recalling further the 2005 World Summit Outcome,[2]

Recalling the International Conference on Financing for Development and its outcome document[3] and the Doha Declaration on Financing for Development: outcome document of the Follow-up International Conference on Financing for Development to Review the Implementation of the Monterrey Consensus,[4]

Recalling also the Conference on the World Financial and Economic Crisis and Its Impact on Development and its outcome document,[5]

Recalling further the High-level Plenary Meeting of the General Assembly on the Millennium Development Goals and its outcome document,[6]

* On behalf of the States Members of the United Nations that are members of the Group of 77 and China.

[1] See resolution 55/2.

[2] See resolution 60/1.

[3] *Report of the International Conference on Financing for Development, Monterrey, Mexico, 18-22 March 2002* (United Nations publication, Sales No. E.02.II.A.7), chap. I, resolution 1, annex.

[4] Resolution 63/239, annex.

[5] Resolution 63/303, annex.

[6] See resolution 65/1.

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Recalling its resolution 57/270 B of 23 June 2003,

Recalling also its resolution 60/265 of 30 June 2006 on the follow-up to the development outcome of the 2005 World Summit, including the Millennium Development Goals and the other internationally agreed development goals,

Recalling further the Fourth United Nations Conference on the Least Developed Countries and its outcome document,[7]

Emphasizing that debt sustainability is essential for underpinning growth, underlining the importance of debt sustainability and effective debt management to the efforts to achieve national development goals, including the Millennium Development Goals, and acknowledging that sovereign debt crises tend to be costly and disruptive, including for employment and productive investment, and tend to be followed by cuts in public spending, including on health and education, affecting in particular the poor and vulnerable,

Reaffirming that each country has primary responsibility for its own development and that the role of national policies and development strategies, including in the area of debt management, cannot be overemphasized for the achievement of sustainable development, and recognizing that national efforts, including to achieve development goals and to maintain debt sustainability, should be complemented by supportive global programmes, measures and policies aimed at expanding the development opportunities of developing countries, while taking into account national conditions and ensuring respect for national ownership, strategies and sovereignty,

Reaffirming also that multilateral institutions, including entities within the United Nations system and other relevant organizations, should continue to play an important role, given their respective mandates, in assisting countries in achieving and maintaining debt sustainability,

Reiterating that debt sustainability depends on a confluence of many factors at the international and national levels, and emphasizing that country-specific circumstances and the impact of external shocks, such as those derived from the world financial and economic crisis, should continue to be taken into account in debt sustainability analyses,

Expressing deep concern over the adverse impact of the ongoing world financial and economic crisis on developing countries, which highlighted long-standing systemic fragilities and inequalities, stressing that the recovery has been threatened by new circumstances, including turbulence in the global financial markets and widespread fiscal strains, and that the systemic problems facing the global economy have to be resolved, including through the full accomplishment of the reform of the global financial system and architecture, recognizing that any new shock or even a slow recovery will have negative effects on debt sustainability, and confirming that unsustainable debt is a global problem,

Recognizing the importance of efforts undertaken at the national, regional and international levels in response to the challenges posed by the ongoing world financial and economic crisis faced by many developing countries, and

[7] *Report of the Fourth United Nations Conference on the Least Developed Countries* (United Nations publication, Sales No. 11.II.A.1).

acknowledging that the impacts on development of the crisis continue, entail the possibility of undermining the progress made towards achieving the internationally agreed development goals, including the Millennium Development Goals, and threaten debt sustainability in developing countries through, inter alia, the consequences on the real economy and government revenue and the need to increase borrowing to mitigate the negative impacts of the crisis,

Recognizing also the important role on a case-by-case basis of debt relief, including debt cancellation and debt restructuring, as debt crisis prevention and management tools for mitigating the impact of the world financial and economic crisis in developing countries,

Recognizing further the role of private capital flows in mobilizing financing for development, expressing concern about the risks posed by excessive short-term private capital inflows to many developing countries, including to their debt sustainability, and encouraging further review of the benefits and disadvantages of capital controls and the macroprudential measures available to mitigate the impact of volatile capital flows with a view to limiting unproductive large capital flows which may lead to future currency crises,

Expressing concern that some low-income and least developed countries are facing increased challenges in servicing their debt,

Noting with appreciation that the Heavily Indebted Poor Countries Initiative, the Multilateral Debt Relief Initiative and bilateral donors have provided substantial debt relief to thirty-two countries that have reached the completion point under the Heavily Indebted Poor Countries Initiative, which has considerably reduced their debt vulnerability and enabled them to increase their investments in social services, while acknowledging with concern that some post-completion point countries remain classified as being at high risk of debt distress and need to avoid rebuilding unsustainable debt burdens,

Convinced that enhanced market access for goods and services of export interest to developing countries contributes significantly to debt sustainability in those countries,

1. *Takes note* of the report of the Secretary-General;[8]

2. *Emphasizes* the special importance of a timely, effective, comprehensive and durable solution to the debt problems of developing countries in order to promote their economic growth and development;

3. *Stresses* the importance of responsible lending and borrowing, emphasizes that creditors and debtors must share responsibility for preventing unsustainable debt situations, and encourages Member States, the Bretton Woods institutions, the regional development banks and other relevant multilateral financial institutions and stakeholders to pursue the ongoing discussions, inter alia, within the framework of the initiative of the United Nations Conference on Trade and Development to promote responsible sovereign lending and borrowing, taking into account additional work being undertaken on this issue;

4. *Recognizes* the need for capacity-building, in particular of borrowers, for them to be able to conduct their own debt sustainability analyses in order to

[8] A/66/164.

generate legitimate borrowing and lending decisions to help maintain sustainable levels of debt, acknowledges the role played by the Debt Sustainability Framework for low-income countries, jointly developed by the International Monetary Fund and the World Bank, to guide borrowing and lending decisions, and calls for a review of the Framework, with the full engagement of borrower Governments, in an open and transparent manner;

5. *Reiterates* that no single indicator should be used to make definitive judgements about a country's debt sustainability, and, in this regard, while acknowledging the need to use transparent and comparable indicators, invites the International Monetary Fund and the World Bank, in their assessment of debt sustainability, to continue to take into account the fundamental changes caused by, inter alia, natural disasters, conflicts and changes in global growth prospects or in the terms of trade, especially for commodity-dependent developing countries, as well as by the impact of developments in financial markets, and to provide information on this issue to Member States, with a view to identifying their structural weaknesses;

6. *Recognizes* that the long-term sustainability of debt depends on, inter alia, economic growth, mobilization of domestic resources, increased grants and concessional sources of development financing, access to export markets, responsible debt management, sound macroeconomic policies, transparent and effective regulatory frameworks, technical assistance to strengthen debt management capacities in developing countries, success in overcoming structural development problems, and hence, on the creation of an enabling international environment that is conducive to development;

7. *Also recognizes* the enormity, the persistence and the multidimensional nature of the world financial and economic crisis, which caused a sharp deterioration of the debt ratios in many countries, recognizes the risks posed to the debt sustainability associated with slower or negative global economic growth and the euro zone debt crisis, calls for collective action to stem their impact on developing countries through different channels so as to reduce the risk of relapsing into another debt crisis, takes note in this regard of the additional resources made available during and since the crisis through the International Monetary Fund and the multilateral development banks, and calls for additional and continued provision of concessional and grant-based financing to low-income countries and developing countries in risk of debt distress to enable them to respond to the consequences of the crisis;

8. *Further recognizes* the roles of the United Nations and the international financial institutions in accordance with their respective mandates, and encourages them to continue to support global efforts towards sustained, inclusive and equitable growth, sustainable development and the external debt sustainability of developing countries, including through continued monitoring of global financial flows and their implications in this regard;

9. *Emphasizes* the need for coordinated policies aimed at fostering debt financing, debt relief and debt restructuring, reaffirms that new and ongoing programmes of the International Monetary Fund should not contain unwarranted procyclical conditionalities, calls for the continued review of the new lending facilities, and urges the multilateral development banks to move forward on flexible, concessional, fast-disbursing and front-loaded assistance that will substantially and

quickly assist developing countries facing financing gaps in their efforts to achieve the Millennium Development Goals, taking into consideration the individual absorptive capacities and debt sustainability of those countries;

10. *Notes* the provision by the International Monetary Fund of interest relief to low-income countries in the form of zero-interest payments on financing from concessional lending facilities until the end of 2011, and encourages the Fund to consider extending its concessional loan facilities for low-income countries beyond 2011;

11. *Also notes* that developing countries can seek to negotiate, as a last resort, on a case-by-case basis and through existing frameworks, agreements on temporary debt standstills between debtors and creditors in order to help mitigate the adverse impacts of the crisis and stabilize macroeconomic developments;

12. *Further notes* the progress made under the Heavily Indebted Poor Countries Initiative and the Multilateral Debt Relief Initiative, while expressing concern that some countries have yet to reach decision or completion points, calls for the full and timely implementation of those Initiatives and for continued support to the remaining eligible countries in completing the Heavily Indebted Poor Countries Initiative process, and encourages all parties, both creditors and debtors, to fulfil their commitments as rapidly as possible in order to complete the debt relief process;

13. *Calls for* the review of the implementation and the impact of debt relief initiatives to better understand why countries did not maintain sustainable debt levels, and further calls for the design of clear and predictable strategies to address the persisting debt problems of developing countries post-Heavily Indebted Poor Countries Initiative, including for developing countries facing unsustainable debt burdens which have not benefited from debt relief under the Heavily Indebted Poor Countries Initiative and the Multilateral Debt Relief Initiative;

14. *Underlines* the fact that heavily indebted poor countries eligible for debt relief will not be able to enjoy its full benefits unless all creditors, both public and private, contribute their fair share and become involved in the international debt resolution mechanisms to ensure the debt sustainability of those countries, invites creditors, both private and public, that are not yet fully participating in debt relief initiatives to substantially increase their participation, including through providing comparable treatment to the extent possible to debtor countries that have concluded sustainable debt relief agreements with creditors, and invites the international financing institutions and the donor community to continue to provide adequate and sufficiently concessional financing;

15. *Stresses* that debt relief can play a key role in liberating resources that should be directed towards activities consistent with poverty eradication, sustained economic growth, economic development and the internationally agreed development goals, including the Millennium Development Goals, and in this regard urges countries to direct the resources freed through debt relief, in particular through debt cancellation and reduction, towards those objectives, according to their national priorities and strategies;

16. *Encourages* donor countries to take steps to ensure that resources provided for debt relief under the Heavily Indebted Poor Countries Initiative and the

Multilateral Debt Relief Initiative do not detract from official development assistance resources intended to be available for developing countries;

17. *Notes with concern* that some low- and middle-income developing countries that are not included in existing debt relief initiatives may have large debt burdens that may create constraints on mobilizing the resources needed to achieve the internationally agreed development goals, including the Millennium Development Goals, which confirms the need to extend the sunset clause to make it applicable for those countries or to design new debt relief initiatives for them on a case-by-case basis;

18. *Encourages* the Paris Club, in dealing with the debt of low- and middle-income debtor countries that are not part of the Heavily Indebted Poor Countries Initiative, to take into account their medium-term debt sustainability in addition to their financing gaps, and notes with appreciation the Evian approach of the Paris Club in providing different terms of debt relief in order to respond to the specific needs of debtor countries while preserving debt cancellation for heavily indebted poor countries;

19. *Stresses* the need to significantly address the debt problems of middle-income developing countries, and in this regard, while stressing the importance of the Evian approach of the Paris Club as a practical means of addressing bilateral official debt, encourages the consideration of medium- and long-term sustainability as well as new approaches to deal with non-Paris Club debt;

20. *Also stresses* the need for the international community to remain vigilant in monitoring the debt situation of the least developed countries and to continue to take effective measures, preferably within existing frameworks, to address the debt problem of those countries, including through the cancellation of the multilateral and bilateral debt owed by least developed countries to creditors, both public and private, and also to provide specific debt relief measures for least developed countries which are not heavily indebted poor countries, on a case-by-case basis;

21. *Welcomes* the efforts of and calls upon the international community to provide flexibility, and stresses the need to continue those efforts in helping post-conflict developing countries, especially those that are heavily indebted and poor, to achieve initial reconstruction for economic and social development;

22. *Also welcomes* the efforts of and invites creditors to provide flexibility to developing countries affected by natural disasters so as to allow them to address their debt concerns, while taking into account their specific situations and needs;

23. *Calls for* the consideration of additional measures and initiatives aimed at ensuring long-term debt sustainability through increased grant-based and other forms of concessional financing, the cancellation of 100 per cent of the eligible official multilateral and bilateral debt of heavily indebted poor countries and, where appropriate and on a case-by-case basis, significant debt relief or restructuring for developing countries with an unsustainable debt burden that are not part of the Heavily Indebted Poor Countries Initiative;

24. *Invites* donor countries, taking into account country-specific debt sustainability analyses, to continue their efforts to increase bilateral grants to developing countries, which could contribute to debt sustainability in the medium to long term, and recognizes the need for countries to be able to promote employment

and productive investment and to invest in, inter alia, health and education while maintaining debt sustainability;

25. *Calls for* the intensification of efforts to prevent and mitigate the prevalence and cost of debt crises by enhancing international financial mechanisms for crisis prevention and resolution, encourages the private sector to cooperate in this regard, and invites creditors and debtors to further explore, where appropriate and on a mutually agreed, transparent and case-by-case basis, the use of new and improved debt instruments and innovative mechanisms such as debt swaps, including debt for equity in Millennium Development Goal projects, as well as debt indexation instruments;

26. *Also calls for* the consideration of enhanced approaches to sovereign debt restructuring and debt resolution mechanisms, with the broad participation of creditors and debtors, the comparable treatment of all creditors and an important role for the Bretton Woods institutions and other relevant organizations within the United Nations system, and in this regard calls upon all countries to promote and contribute to the discussions, including within the United Nations and other appropriate forums, on the need for and feasibility of a more structured framework for international cooperation in this area;

27. *Further calls for* the establishment of a United Nations working group with the participation of all relevant stakeholders, including the multilateral financial institutions, to examine options for enhanced approaches to debt restructuring and resolution mechanisms that take into account the multiple dimensions of debt sustainability;

28. *Notes* the changing composition of the sovereign debt of some countries, which has shifted increasingly from official to commercial borrowing and from external to domestic public debt, although for most low-income countries external finance is still largely official, also notes that the levels of domestic debt and the significantly increased number of creditors, both official and private, could create other challenges for macroeconomic management and public debt sustainability, and stresses the need to address the implications of these changes, including through improved data collection and analysis;

29. *Recognizes* concerns about vulture fund litigation, and in this regard also recognizes that debtor countries experience difficulties in obtaining comparable treatment from other creditors, as required by the standard clause included in Paris Club agreements;

30. *Stresses* the need to increase information-sharing, transparency and the use of objective criteria in the construction and evaluation of debt scenarios, including an assessment of domestic public and private debt, in order to ensure the achievement of development goals, recognizes that credit-rating agencies play a significant role in the provision of information, including the assessment of corporate and sovereign risks, and may encourage countries to pursue policies focused on short-term concerns of portfolio investors rather than in their long-term development needs, and in this regard requests the Secretary-General to conduct a special multi-stakeholders consultation on credit-rating agencies with a view to improving their modelling risk and to continue to monitor and report upon the oversight of credit-rating agencies when preparing his report on the implementation of the present resolution;

31. *Invites* the international community to continue efforts to increase support, including financial and technical assistance, for institutional capacity-building in developing countries to enhance sustainable debt management as an integral part of national development strategies, including by promoting transparent and accountable debt management systems and negotiation and renegotiation capacities and through supporting legal advice in relation to tackling external debt litigation and debt data reconciliation between creditors and debtors so that debt sustainability may be achieved and maintained;

32. *Also invites* the United Nations Conference on Trade and Development, the International Monetary Fund and the World Bank, in cooperation with the regional commissions, regional development banks and other relevant multilateral financial institutions and stakeholders, to continue and intensify cooperation in respect of capacity-building activities in developing countries in the area of debt management and debt sustainability;

33. *Encourages* further improvement of the mutual exchange of information, on a voluntary basis, on borrowing and lending among all creditors and borrowers;

34. *Acknowledges* that timely and comprehensive data on the level and composition of debt are a condition necessary for, inter alia, building early warning systems aimed at limiting the impact of debt crises, calls for debtor and creditor countries to intensify their efforts to collect data, and calls for donors to consider increasing their support for technical cooperation programmes aimed at increasing the statistical capacity of developing countries in that regard;

35. *Calls upon* all Member States and the United Nations system, and invites the Bretton Woods institutions and the private sector, to take appropriate measures and actions for the implementation of the commitments, agreements and decisions of the major United Nations conferences and summits, in particular those related to the question of the external debt sustainability of developing countries;

36. *Requests* the Secretary-General to submit to the General Assembly at its sixty-seventh session a report on the implementation of the present resolution and to include in that report a comprehensive and substantive analysis of the external debt situation of developing countries;

37. *Decides* to include in the provisional agenda of its sixty-seventh session, under the item entitled "Macroeconomic policy questions", the sub-item entitled "External debt sustainability and development".